

Message Text

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ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 AID-05 EB-07 INT-05 COME-00

TRSE-00 SIL-01 LAB-04 OMB-01 L-03 CIAE-00 INR-07

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----- 090318

R 181250Z DEC 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 2916

AMEMBASSY KATHMANDU

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E.O. 11652: N/A

TAGS: EINV, IN, NP

SUBJ: INDO-US INVESTMENT IN NEPAL: ROLE OF OPIC

DEPARTMENT PASS OPIC

1. MR. K.K. PANDE, MANAGER (PROJECTS), ORISSA INDUSTRIES LTD., CALLED ON ECONOMIC COUNSELOR DECEMBER 17 TO REPORT THAT HE HAD REACHED AGREEMENT WITH GOVERNMENT OF NEPAL ON JOINT DEVELOPMENT OF NEPALESE MAGNESITE. ALTHOUGH BOTH INDIAN FIRM AND GON HAD ORIGINALLY WANTED 51 PERCENT INTEREST, FINAL AGREEMENT HAD BEEN ON 50-50 SPLIT. PANDA STATED THAT THIS AGREEMENT FOLLOWED YEARS OF FUTILE DICUSSSIONS AND REFLECTED NEW WILLINGNESS OF GON TO MAKE INVESTMENTS. ORISSA INDUSTRIES HAD EZO SELECTED BECAUSE MK ITS TIE-UP WITH A US COMPANY (HARBISON-WALER REFRACTORES).

2. ISSUES THAT REMAINED WERE AS FOLLOWS: HARBINSON-WALER WAS RELUCTANT TO PUT MUCH, IF ANY, EQUITY INTO JOINT VENTURE AND WOULD PREFER TO MAINTAIN THE ROLE OF TECHNICAL CONSULTANT. ON THE OTHER HAND, GON CLEARLY WANTED US FIRM TO HAVE EQUITY INTEREST. ORISSA INDUSTRIES WOULD BE APPROACHING HARBISON-WALKER ON THIS POINT. SECOND ISSUE CONCERNS FINANCING. CONTRARY TO EARLIER ZMPECTATIONS, GON HAD TAKEN POSITION THAT ORISSA INDUSTRIES COULD NOT FINANCE ANY PART OF ITS OPERATIONS THROUGH

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NEPALESE FINANCIAL INSTITUTIONS. ORISSA AND HARBISON-WALKER

WOULD BE INTERESTED IN SECURING OPIC FINANCING IF THIS WERE AVAILABLE.

3. ECONOMIC COUNSELOR COMMENTED THAT FIRST STEP WOULD APPEAR TO BE FOR ORISSA INDUSTRIES TO SORT OUT ITS RELATIONSHIP WITH HARBISON-WALKER. ONCE THIS WERE DONE, AN APPROACH COULD BE MADE TO OPIC. WE HAD NO INFORMATION ON OPIC POLICY WITH REGARD TO SUCH FINANCING, I.E., WOULD OPIC BE IN A POSITION TO OFFER FINANCING IF US FIRM'S PARTICIPATION WERE AS LOW AS TEN PERCENT (WE WOULD APPRECIATE OPIC GUIDANCE). ECONOMIC COUNSELOR NOTED THAT WHILE POSSIBILITY OF SUCH A ROLE WOULD DEPEND ON GOI APPROVAL, THERE APPEARED NO POINT IN DISCUSSING THIS ISSUE UNTIL PRIOR ISSUES OF HARBISON AND POSSIBLE OPIC ROLE WERE CLARIFIED.

5. COMMENT: WE ARE NOT IN A POSITION TO JUDGE WHETHER GOI SANCTION WOULD BE FORTHCOMING AND WOULD PREFER NOT TO DISCUSS THIS MATTER WITH GOI UNTIL IT IS CLEAR THAT THE ISSUE REALLY ARISES. WE WOULD APPRECIATE EMBASSY KATHMANDU'S ASSESSMENT OF GON ATTITUDE TOWARD THIS PROJECT AND WHETHER IT WOULD WISH US TO SUPPORT OPIC FINANCING WERE THIS TO BECOME AN ACTUAL ISSUE. SAXBE

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Margaret P. Grafeld
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